

# Exhibit C

**In The Matter Of:**

*FEDERAL HOUSING FINANCE AGENCY, etc.*

*v.*

*UBS AMERICAS, INC., et al.*

---

***RONALD FEIGLES - Vol. 2***

***June 13, 2013***

---

**MERRILL CORPORATION**

**Legalink, Inc.**

225 Varick Street  
10th Floor  
New York, NY 10014  
Phone: 212.557.7400  
Fax: 212.692.9171

RONALD FEIGLES - 6/13/2013

Page 394

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

-----x  
FEDERAL HOUSING FINANCE :  
AGENCY, etc. :  
Plaintiff, :  
vs. : 11 Civ. 5201  
UBS AMERICAS, INC., et al., : (DLC)  
Defendants. :

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc. :  
Plaintiff, :  
vs. : 11 Civ. 6188  
JPMORGAN CHASE & CO., et al. : (DLC)  
Defendants. :

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc., :  
Plaintiff, :  
vs. : 11 Civ. 6189  
HSBC NORTH AMERICA HOLDINGS, INC., et : (DLC)  
al., :  
Defendants. :

-----x

1	-----x	
2	FEDERAL HOUSING FINANCE AGENCY, etc.,	:
3	Plaintiff	:
4	vs.	: 11 Civ. 6190
5	BARCLAYS BANK PLC, et al.,	: (DLC)
6	Defendants.	:
7	-----x	
8	FEDERAL HOUSING FINANCE AGENCY, etc.,	:
9	Plaintiff,	:
10	vs.	: 11 Civ. 6192
11	DEUTSCHE BANK AG, et al.,	: (DLC)
12	Defendants.	:
13	-----x	
14	FEDERAL HOUSING FINANCE AGENCY, etc.,	:
15	Plaintiff,	:
16	vs.	: 11 Civ. 6193
17	FIRST HORIZON NATIONAL CORP., et al.,	: (DLC)
18	Defendants.	:
19	-----x	
20	FEDERAL HOUSING FINANCE AGENCY, etc.,	:
21	Plaintiff,	:
22	vs.	: 11 Civ. 6195
23	BANK OF AMERICA CORP., et al.	:
24	Defendants.	:
25	-----x	

1 -----x  
2 FEDERAL HOUSING FINANCE AGENCY, etc., :  
3 Plaintiff, :  
4 vs. : 11 Civ. 6198  
5 GOLDMAN, SACHS & CO., et al., : (DLC)  
6 Defendants. :  
7 -----x  
8 FEDERAL HOUSING FINANCE AGENCY, etc., :  
9 Plaintiff, :  
10 vs. : 11 Civ. 6200  
11 CREDIT SUISSE HOLDINGS (USA), INC., : (DLC)  
12 et al., :  
13 Defendants. :  
14 -----x  
15 FEDERAL HOUSING FINANCE AGENCY, etc., :  
16 Plaintiff, :  
17 vs. : 11 Civ. 6201  
18 NOMURA HOLDING AMERICA, INC., et al., : (DLC)  
19 Defendants. :  
20 -----x  
21 FEDERAL HOUSING FINANCE AGENCY, etc., :  
22 Plaintiff, :  
23 vs. : 11 Civ. 6202  
24 MERRILL LYNCH & CO., INC., et al., : (DLC)  
25 Defendants. :

RONALD FEIGLES - 6/13/2013

Page 397

1 -----x  
2 FEDERAL HOUSING FINANCE AGENCY, etc., :  
3 Plaintiff, :  
4 vs. : 11 Civ. 6203  
5 SG AMERICAS, INC., et al., : (DLC)  
6 Defendants. :

7 -----x  
8 FEDERAL HOUSING FINANCE AGENCY, etc., :  
9 Plaintiff, :  
10 vs. : 11 Civ. 6739  
11 MORGAN STANLEY, et al : (DLC)  
12 Defendants. :

13 -----x

14

15

16

17

18

19

20

21

22

23

24

25



RONALD FEIGLES - 6/13/2013

Page 422

1

RONALD FEIGLES

2

P R O C E E D I N G S

3

4

THE VIDEOGRAPHER: Here begins Tape

5

No. 1, Volume II in the deposition of Ronald

6

Feigles. Today's date is June 13th, 2013.

7

I would like to remind the witness

8

that he is still worn in from yesterday.

9

You may begin.

10

RONALD FEIGLES,

11

was called for examination by counsel and,

12

after having been duly sworn by the Notary, was

13

examined and testified as follows:

14

EXAMINATION BY COUNSEL FOR DEFENDANT

15

GOLDMAN, SACHS & CO.

16

BY MR. HARSCH:

17

Q. Mr. Feigles, my name is Brad Harsch

18

from the Sullivan & Cromwell law firm. I

19

represent Goldman Sachs. I'm going to ask you

20

some questions on behalf of all the defendants

21

today's.

22

Do you understand that?

23

A. Yes.

24

Q. And you understand you're still

25

under oath in this continued deposition?



RONALD FEIGLES - 6/13/2013

Page 423

1 RONALD FEIGLES

2 A. Yes.

3 Q. I want to ask you about some of the  
4 bulk purchases that you testified about  
5 yesterday.

6 Did -- did Freddie Mac purchase  
7 loans in bulk that were subprime and Alt-A?

8 A. I believe so.

9 Q. Were you involved in due diligence  
10 on some of those bulk purchases?

11 A. Yes.

12 Q. And can you estimate, approximately,  
13 how many bulk purchases of subprime and Alt-A  
14 loans Freddie Mac conducted?

15 A. 10 to 15.

16 Q. And what period did that -- during  
17 what period did that occur?

18 A. While I was there, 2006 to 2000 --  
19 January maybe 2008.

20 Q. And do you remember which  
21 originators Freddie Mac bulk purchased these  
22 Alt-A and subprime loans from?

23 A. Primarily Washington Mutual, Wells  
24 Fargo, Barclays, Equifirst, CitiMortgage, MIT  
25 Deutsche Bank. Those are the ones I recall.

RONALD FEIGLES - 6/13/2013

Page 424

1 RONALD FEIGLES

2 Q. Do you recall that Freddie Mac  
3 purchased loans in bulk from GreenPoint?

4 Let me put it this way: That had  
5 been originated by GreenPoint?

6 MR. OBLAK: Objection to the form.

7 THE WITNESS: I do not recall that,  
8 at least under my purview.

9 BY MR. HARSCH:

10 Q. What about Ameriquest?

11 A. Also not under my purview.

12 Q. New Century?

13 A. No.

14 Q. First Franklin?

15 A. First Franklin, I'm a little hazy  
16 on. Maybe we did a bulk for them. I don't  
17 recall.

18 Q. And if bulk purchases were done  
19 under someone's purview other than yourself,  
20 whose purview would they have been done under?

21 A. So I only did the reviews that were  
22 assigned to me. So in the 2006 to 2008 time  
23 frame, only if someone external to my group  
24 decided that they wanted pre-funding due  
25 diligence was I involved. So they may have

1

RONALD FEIGLES

2

done a lot of bulk purchases or some bulk

3

purchases or no bulk purchases that it was

4

determined no pre-funding due diligence was

5

required. I had no insight to how many bulk

6

purchases they were buying that it was

7

determined no pre-funding due diligence was

8

required. I only saw those loans that somebody

9

determined pre-funding due diligence was a

10

prerequisite.

11

Q. And who made that determination?

12

A. I don't know.

13

Q. Who would -- to whom would you

14

report the results of your due diligence on

15

these reviews of subprime and Alt-A bulk

16

purchases?

17

A. We had a standard group e-mail that

18

we utilized. It's pretty lengthy. Probably a

19

lot of the people that we talked or saw on the

20

one group e-mail looked at yesterday.

21

Q. Would Kevin Palmer been among those

22

people?

23

A. Probably.

24

Q. Don Bisenius?

25

A. Yes.

1 RONALD FEIGLES

2 Q. Why would -- why would either of  
3 those two individuals have been involved?

4 A. Why would they have been involved?

5 Q. Yes.

6 A. Well, in the time when we were doing  
7 at least the -- the subprime, which would have  
8 been late 2007, Don was in charge of the  
9 subprime initiative. Kevin, what his  
10 involvement was with bulk purchases or T deals,  
11 I don't really know.

12 Q. And explain briefly, please, what  
13 the subprime initiative is?

14 A. So, in 2007, Freddie Mac decided  
15 that they were going to put out an offering  
16 where they would establish guidelines for the  
17 purchase of subprime loans. That would be the  
18 subprime initiative. Called Home Steps.

19 Q. Home Steps?

20 And --

21 A. I'm not sure what it was -- I don't  
22 think Home Steps was actually the right answer.  
23 I don't recall.

24 Q. Was there a program called Safe  
25 Steps?

RONALD FEIGLES - 6/13/2013

Page 427

1 RONALD FEIGLES

2 A. Safe Steps.

3 Q. Okay.

4 A. Yes.

5 Q. And, as part of Safe Steps, Freddie  
6 Mac was going to purchase subprime loans  
7 directly from originators?

8 A. I think that was the intent.

9 Q. Did that occur?

10 A. I'm not sure that we ever did it in  
11 any fashion other than bulk.

12 Q. Do you know whether Freddie Mac  
13 competed with other entities to purchase these  
14 subprime bulk loans?

15 A. Specifically, no.

16 Q. What about generally?

17 A. Probably. I don't know.

18 Q. Do you know whose -- who was Freddie  
19 Mac's competition for purchasing such Alt-A and  
20 subprime bulk loans?

21 MR. OBLAK: Objection to the form.

22 THE WITNESS: I don't know other  
23 company's practices. I understand the Wall  
24 Street firms bought subprime loans.

25 BY MR. HARSCH:

RONALD FEIGLES - 6/13/2013

Page 428

1 RONALD FEIGLES

2 Q. Was it your understanding that  
3 Freddie Mac competed Wall Street firms to buy  
4 subprime loans in bulk?

5 MR. OBLAK: Objection to the form.

6 THE WITNESS: Probably they did.  
7 Again, specifically I don't know who competed  
8 for our subprime loans.

9 BY MR. HARSCH:

10 Q. But was it your understanding that  
11 Freddie Mac was competing with Wall Street to  
12 buy these subprime loans?

13 MR. OBLAK: Objection to the form.

14 THE WITNESS: I don't know if it was  
15 my understanding. It was probably my  
16 assumption that that was what was occurring.

17 BY MR. HARSCH:

18 Q. Did Freddie Mac bid on these loans?

19 A. I don't know. I don't know the  
20 process for purchasing the bulk purchases.

21 Q. You mentioned the T deals.

22 Are you familiar with the general  
23 structure of a T deal?

24 A. Generally I am.

25 Q. Can you just tell me what that

1 RONALD FEIGLES

2 general structure is?

3 A. It would be where a -- essentially,  
4 a bulk of loans were -- were bought and pooled  
5 into a security in which we guarantee.

6 Q. And in a T deal, which entity bore  
7 the risk if the collateral failed to perform?

8 MR. OBLAK: Objection to the form.

9 THE WITNESS: To the extent that we  
10 had a guarantee RAP on the entire pool, Freddie  
11 Mac.

12 BY MR. HARSCH:

13 Q. And was it typically the case that  
14 Freddie Mac had a guarantee RAP on the entire  
15 pool on a T deal?

16 A. Specifically to all T deals, I don't  
17 know. My understanding was generally yes.

18 Q. And was that part of the reason that  
19 you were doing due diligence on the bulk  
20 purchases because Freddie Mac bore the risk of  
21 non-performance of that collateral?

22 MR. OBLAK: Objection to the form.

23 THE WITNESS: Probably so.

24 BY MR. HARSCH:

25 Q. Was that your assumption?

RONALD FEIGLES - 6/13/2013

Page 430

1 RONALD FEIGLES

2 MR. OBLAK: Objection to the form.

3 THE WITNESS: Again, I didn't have  
4 an assumption. I was asked to perform a  
5 function to do pre-funding due diligence on  
6 pools of loans, and it hadn't been decided  
7 to which pools or -- or really the reasons why.

8 BY MR. HARSCH:

9 Q. Was it your -- was it your belief  
10 that one of the reasons you were doing due  
11 diligence on these bulk purchases of subprime  
12 and Alt-A loans was because Freddie Mac bore  
13 the risk of nonperformance?

14 MR. OBLAK: Objection to the form.

15 THE WITNESS: My understanding was  
16 that we did pre-funding due diligence because  
17 these were different loan types that Freddie  
18 Mac had not previously had a whole loan or  
19 first loss position on. These were different  
20 structures, Alt-A subprime.

21 BY MR. HARSCH:

22 Q. What effect did that have, the fact  
23 that they were different kinds of loans that  
24 Freddie Mac was buying?

25 MR. OBLAK: Objection to the form.



1 RONALD FEIGLES

2 BY MR. HARSCH:

3 Q. Isn't the reason that -- isn't the  
4 fact that they were different loans that  
5 Freddie typically bought, isn't that -- doesn't  
6 that speak to an extra degree of risk for  
7 Freddie Mac?

8 MR. OBLAK: Objection to the form.

9 THE WITNESS: Which is why I think  
10 we did pre-funding due diligence.

11 BY MR. HARSCH:

12 Q. So -- so Freddie Mac decided to do  
13 pre-funding due diligence as opposed to  
14 post-funding due diligence because these loans  
15 were unfamiliar to Freddie Mac?

16 MR. OBLAK: Objection to the form.

17 THE WITNESS: It doesn't preclude  
18 doing post-funding due diligence, but I think  
19 that was -- it's my understanding that was the  
20 reason why we did pre-funding due diligence.

21 BY MR. HARSCH:

22 Q. Because there is a perceived  
23 increased risk from these products?

24 MR. OBLAK: Objection to the form.

25 THE WITNESS: I think to gain a

1 RONALD FEIGLES

2 better understanding of what we were buying.

3 BY MR. HARSCH:

4 Q. In terms of pre-funding due  
5 diligence -- did -- let me withdraw that.

6 Did Freddie Mac perform pre-funding  
7 due diligence on bulk purchase of loans other  
8 than this -- as part of the subprime  
9 initiative?

10 A. Yes.

11 Q. And in what context did those occur?

12 A. Option ARMs. Alt-A loans.

13 Q. Are Option ARMs the same thing as  
14 Alt-A loans?

15 A. It would certainly be -- Option ARMs  
16 would be in the family of Alt-A loans.

17 Q. So all Option ARMs are Alt-A loans?

18 A. I would say so, yes.

19 Q. How did Freddie Mac determine what  
20 kinds of due diligence procedures or processes  
21 it would put in place in performing pre-  
22 funding due diligence of these subprime and  
23 Alt-A bulk purchases?

24 A. Whenever I arrived in Freddie Mac in  
25 February of 2006, I think they had done two or

1 RONALD FEIGLES

2 three previous pre-funding due diligence  
3 reviews. There was general guidelines.  
4 Followup to establish a process to formalize  
5 the process for performing pre-funding due  
6 diligence.

7 Q. Did Freddie Mac look to any models  
8 or examples outside of Freddie Mac itself in  
9 determining what kind of pre-funding due  
10 diligence to perform on subprime and Alt-A bulk  
11 purchases?

12 A. So my recollection is that I had  
13 conversations with people that did pre-funding  
14 due diligence. I looked at what I was able to  
15 find in some of our previous aggregator  
16 reviews, how -- how it was structured, and we  
17 built off of that and the existing process at  
18 Freddie Mac.

19 Q. So you -- you consulted existing  
20 aggregator reviews, in part, to determine the  
21 processes by which Freddie Mac was going to  
22 perform pre-funding due diligence on bulk  
23 purchases?

24 A. Specifically, I don't recall that.  
25 I believe that would have been the process we

1 RONALD FEIGLES

2 would have followed. Specifically, I don't  
3 recall how we arrived at our process. I know  
4 it was an iterative process that we put  
5 together over several months to come up with  
6 the process that we were comfortable with.

7 Q. Why did you look at the aggregator  
8 reviews as part of that process?

9 A. Again, I don't recall specifically  
10 looking at them. My assumption is that that  
11 was probably part of the process.

12 Q. Why?

13 MR. OBLAK: Objection to the form.

14 THE WITNESS: They may have had  
15 information that would have given us some  
16 insight to processes.

17 BY MR. HARSCH:

18 Q. Did you feel that Freddie Mac ended  
19 up with a process that was similar to the  
20 process that you learned of through these  
21 aggregator reviews?

22 MR. OBLAK: Objection to the form.

23 THE WITNESS: I thought our process  
24 was more robust.

25 BY MR. HARSCH:

RONALD FEIGLES - 6/13/2013

Page 435

1 RONALD FEIGLES

2 Q. How is that?

3 A. Well, for one, we always went on  
4 site with our due diligence provider, so -- so  
5 we -- we were there with them. We gave them, I  
6 think, more detailed specific instructions of  
7 what we expected of them. We -- when -- when  
8 provided a pool, we instituted a process where  
9 we did additional upfront risk checks, fraud  
10 checks, collateral checks to determine loans  
11 that potentially could have been high risk.  
12 Our sampling was -- my understanding, was all  
13 adverse. We -- any loan that hit our -- that  
14 we determined that hit some of the risk  
15 indicators, the risk tools that we utilized  
16 upfront, we looked at irrespective of the due  
17 diligence provider's findings. So while they  
18 may have found the loan completely acceptable,  
19 we would have looked at that loan to evaluate  
20 it and make sure we were comfortable with the  
21 purchase of that particular loan.

22 Q. By the time the majority of these --  
23 did Freddie Mac institute these -- around what  
24 time period did Freddie Mac institute these  
25 pre-funding due diligence procedures?

RONALD FEIGLES - 6/13/2013

Page 436

1 RONALD FEIGLES

2 A. Well, to the best of my knowledge,  
3 the first pre- funding due diligence was done  
4 in the fall or winter of 2005.

5 Q. And they continued through at least  
6 to 2008?

7 A. I think January of 2008 might have  
8 been our last one.

9 Q. You felt pretty confident in the due  
10 diligence processes that Freddie Mac  
11 instituted, correct?

12 MR. OBLAK: Objection to the form.

13 THE WITNESS: I felt good in my  
14 process, yes.

15 BY MR. HARSCH:

16 Q. And you felt that they were  
17 reliable?

18 A. All the loans we looked at I did.

19 Q. Now, were the loans that Freddie Mac  
20 purchased -- were the subprime an Alt-A loans  
21 that Freddie Mac purchased as part of its bulk  
22 purchase program underwritten at least in part  
23 to lenders' guidelines?

24 MR. OBLAK: Objection to the form.

25 THE WITNESS: Probably most of them.

RONALD FEIGLES - 6/13/2013

Page 437

1 RONALD FEIGLES

2 Not necessarily all of them. I don't recall  
3 specifically. I think some of the subprime  
4 loans may have been underwritten specifically  
5 to the Safe Steps program.

6 BY MR. HARSCH:

7 Q. But your recollection is that most  
8 of these loans were under written to lenders'  
9 guidelines, correct?

10 MR. OBLAK: Objection to the form.

11 THE WITNESS: My recollection is  
12 that most of the loans were underwritten to the  
13 lenders' guidelines with specific carve-outs.

14 BY MR. HARSCH:

15 Q. And what were the specific  
16 carve-outs?

17 A. It would vary from pool to pool.  
18 Certain types of loans or certain loan  
19 characteristics that we would have purchased.

20 Q. And were these carve-outs as a  
21 result of the Safe Steps program?

22 A. Could be.

23 Q. I'm just trying to understand how --  
24 how the Safe Steps program worked. What sort  
25 of criteria did it impose on these -- on these

RONALD FEIGLES - 6/13/2013

Page 438

1 RONALD FEIGLES

2 loans?

3 Do you understand the question?

4 MR. OBLAK: Objection to the form.

5 THE WITNESS: Well, there were  
6 guidelines. There were Safe Step guidelines.  
7 So did they meet the guidelines or not? I  
8 wasn't the credit manager, so we got defined  
9 credit terms and we applied them.

10 BY MR. HARSCH:

11 Q. So Safe Steps would impose certain  
12 credit limitations in terms of the loans that  
13 Freddie Mac could purchase?

14 A. I wasn't involved in the decision  
15 process of what the credit box that we were  
16 going to underwrite to.

17 Q. Who was involved in the -- in that  
18 process?

19 A. Specifically, I don't know. I'm  
20 sure Bob Skinner, who -- who is a director in  
21 our credit department, would have been involved  
22 in that process. Probably other parties as  
23 well.

24 Q. Do you have a sense of approximately  
25 how many loans would be excluded from a



1 RONALD FEIGLES

2 purchase based on Safe Steps that Freddie  
3 might, you know, otherwise purchase if Safe  
4 Step hadn't been part of the criteria for --  
5 for the purchase?

6 MR. OBLAK: Objection to the form.

7 THE WITNESS: Can you repeat that?  
8 I'm sorry.

9 BY MR. HARSCH:

10 Q. Do you have a sense of approximately  
11 how many loans might be excluded based on Safe  
12 Step?

13 A. No sense.

14 Q. When you said -- you mentioned  
15 something about Freddie Mac being in the first  
16 loss position with these T deals.

17 Can you explain what that is? What  
18 you mean by that?

19 A. That if there was a -- a loss  
20 occurred, that is, if a mortgage defaulted and  
21 there was a loss, we guaranteed the loss. So  
22 we would absorb the loss.

23 Q. After Freddie Mac purchased these  
24 subprime and Alt-A loans in bulk, did Freddie  
25 Mac conduct any repurchase claims or make any

RONALD FEIGLES - 6/13/2013

Page 465

1 RONALD FEIGLES

2 of me and render a decision on the  
3 acceptability of those 500 or 200 or a thousand  
4 loans that we were reviewing for review.

5 BY MR. HARSCH:

6 Q. What percentages of the pool did  
7 Freddie Mac typically sample in conducting due  
8 diligence of Alt-A or subprime bulk purchases?

9 MR. OBLAK: Objection to the form.

10 THE WITNESS: I don't know.

11 BY MR. HARSCH:

12 Q. 25 percent?

13 MR. OBLAK: Same objection.

14 THE WITNESS: I use that as a -- as  
15 an assumption in -- in a previous document, but  
16 I don't know specifically what our sampling  
17 methodology was or our sampling structure was.  
18 I do know it was adverse. But more than that,  
19 I don't know.

20 BY MR. HARSCH:

21 Q. So using 25 percent as an  
22 assumption -- as the assumption, that would  
23 leave 75 percent of the pool unsampled, right?

24 A. If that was the assumption, yes, it  
25 would.

RONALD FEIGLES - 6/13/2013

Page 466

1 RONALD FEIGLES

2 Q. And do you think that in identifying  
3 the samples to be reviewed, Freddie Mac managed  
4 to identify only the loans that had material  
5 defects?

6 A. Can you repeat that?

7 Q. Do you think that in identifying the  
8 sample to be reviewed, Freddie Mac managed to  
9 identify only the loans in the pool that would  
10 have had material defects?

11 MR. OBLAK: Objection to the form.

12 THE WITNESS: Given it was a sample,  
13 one could reasonably assume there were other  
14 loans that had defects.

15 BY MR. HARSCH:

16 Q. Right.

17 So one could reasonably assume that  
18 in the unsampled portion of the pool, there  
19 were material defects, correct?

20 MR. OBLAK: Objection to the form.

21 THE WITNESS: Yes.

22 BY MR. HARSCH:

23 Q. All right. Did that give you  
24 concern as someone who is involved in the  
25 process of these bulk purchases, that there

1 RONALD FEIGLES

2 were potentially material defects in the  
3 unsampled portions of these pools?

4 MR. OBLAK: Objection to the form.

5 THE WITNESS: At this point in time,  
6 in 2006, 2007, did that give me concern?

7 BY MR. HARSCH:

8 Q. Yes.

9 A. No, because any -- any pool of loans  
10 that Freddie Mac bought, whether they were  
11 subprime or prime, if you look at enough you're  
12 going to find some loans that don't meet some  
13 requirement or some guidelines. So there was  
14 an understanding that in any group of loans,  
15 there would be some loans that are ineligible.

16 Q. You said that Freddie Mac used  
17 Clayton to conduct the diligence on the bulk  
18 purchases, correct?

19 A. I did.

20 Q. Did you think they did good work?

21 A. I thought they did okay.

22 Q. Did you feel that their -- the  
23 results of their work were reliable?

24 A. Depending on the reviews, some more  
25 than others.

1 RONALD FEIGLES

2 Q. You wouldn't -- you continued to use  
3 Clayton throughout the whole process, correct?

4 A. Right.

5 Q. And you never stopped using them,  
6 right?

7 A. Correct.

8 Q. So if you thought that they didn't  
9 do work that was reliable -- if you thought  
10 they didn't do work that was at least adequate,  
11 you wouldn't have used them, correct?

12 A. We put more oversight on them, I  
13 believe, in 2000 -- late 2007 than we did in  
14 2006.

15 Q. Why is that?

16 A. 2006 we had a recurring  
17 transactions -- again, as I had mentioned with  
18 Washington Mutual, we had the same individuals  
19 month in and month out. We knew them. We had  
20 a comfort level with the -- the work they were  
21 doing for us. In 2007, we did fewer bulk  
22 purchases. They were, I think, scattered  
23 throughout the United States. A lot of  
24 different individuals. I put more resources on  
25 double-checking their work.

RONALD FEIGLES - 6/13/2013

Page 469

1 RONALD FEIGLES

2 Q. Did you continue to believe that  
3 their work was reliable in 2007?

4 A. As I recall, the last time we used  
5 them, which was the Equifirst deal, I had a lot  
6 of concerns with the work that was being done.

7 Q. And how did you -- did you voice  
8 those concerns with somebody?

9 A. With Clayton.

10 Q. And what were the concerns?

11 A. The level review that they stated  
12 that they were doing or their processes -- the  
13 concerns were, I guess in a nutshell, I don't  
14 believe they were following their processes.

15 Q. Who did you raise that concern with?

16 A. Specifically inside of Clayton, I  
17 don't recall. And specifically inside of  
18 Freddie Mac, I don't recall.

19 Q. Let me show you another exhibit.  
20 I'm going to show you a document whose Bates  
21 number begins at FHFA 03238396.

22 (Deposition Exhibit 5437 was  
23 marked for identification.)

24 BY MR. HARSCH:

25 Q. That exhibit has been marked 5437.

RONALD FEIGLES - 6/13/2013

Page 470

1 RONALD FEIGLES

2 And this seems -- this is a -- looks like a  
3 meeting invite dated March 7, 2007, it says:  
4 "In line with the subprime initiative, we were  
5 working on understanding the costing and  
6 pricing of subprime given what we need" --  
7 "what we read each day, we know that pricing is  
8 heavily dependent upon who is originating the  
9 loan. We would like to get some feedback on  
10 the underwriting of some of the large subprime  
11 originators; Wells, HSBC, Chase, WAMU,  
12 Countrywide, and also look at some of the  
13 originators that are currently facing serious  
14 financial issues on the off chance that we  
15 might want to bid discounted loans from these  
16 distressed counterparties, New Century and  
17 Fremont."

18 Do you recall this meeting invite  
19 which you received?

20 A. No.

21 Q. It's from someone named Kevin. Who  
22 would the Kevin be?

23 A. Kevin Palmer.

24 Q. Do you have an understanding of why  
25 he would be calling for a meeting such as this?

1 RONALD FEIGLES

2 be a little hard to check as we sit here. Do  
3 you know whether you printed out all of the  
4 attachments?

5 MR. HARSCH: It should be.

6 MS. BRADLEY: It's our understanding  
7 that is the whole family.

8 MR. OBLAK: Okay.

9 THE WITNESS: Generally speaking, it  
10 looks to be -- well, the e-mail is us telling  
11 Sally this will be the final list of loans that  
12 we have rejected.

13 BY MR. HARSCH:

14 Q. From a certain T deal?

15 A. From a certain T deal.

16 Q. That's the T deal that -- whose  
17 offering circular we just looked at, right, the  
18 Wells Fargo T-74? If you look at the subject  
19 line for the first attachment? Wells T-74  
20 write-up final?

21 A. Yes, probably so, yeah. Yes.

22 Q. Did the binders in your office  
23 contain materials like this?

24 A. Yes.

25 Q. Can we turn first then to the first



1 RONALD FEIGLES

2 attachment, please, the Bates number ends in  
3 5054.

4 MR. OBLAK: I will just note for the  
5 record that it doesn't appear initially that it  
6 is consecutive, and the attachment begins at  
7 054 and the e-mail ends at 043, so unless the  
8 attachments are out of order, it would appear  
9 there are attachments missing within the Bates  
10 ranges, and I note that objection on a  
11 completeness basis to this exhibit.

12 BY MR. HARSCH:

13 Q. Are you there?

14 A. I am.

15 Q. Is this a summary of the due  
16 diligence review that was conducted in  
17 connection with these Wells Fargo loans?

18 A. This is a summary review of T-74, it  
19 looks like, yes.

20 Q. And you note in the second -- do you  
21 know who wrote this summary?

22 A. More than likely, I did.

23 Q. So you write in the second paragraph  
24 that: "This was the first subprime due  
25 diligence completed between Wells Fargo and

1 RONALD FEIGLES

2 Freddie Mac."

3 So these are subprime loans,  
4 correct?

5 A. Yep.

6 Q. And you write at the end of the  
7 third paragraph: "Throughout the review, the  
8 randomly-selected loans showed significantly  
9 better results with fewer loans with material  
10 exceptions than the targeted loan sample."

11 Can you explain what that means?

12 A. So what that would mean is that in  
13 this sample of loans, there was two  
14 populations, one that was adversely-selected  
15 and one that was randomly-selected.

16 Q. And the randomly-selected portion  
17 did -- showed significantly better results and  
18 fewer loans with material exceptions than the  
19 adversely-selected, right?

20 A. That's what it says here.

21 Q. You used the phrase "material  
22 exceptions." How did you determine what is a  
23 material exception?

24 A. Sitting here today, I don't recall.

25 Q. In determining whether an exception

RONALD FEIGLES - 6/13/2013

Page 482

1 RONALD FEIGLES

2 was material, did you use your judgment?

3 MR. OBLAK: Objection to form.

4 THE WITNESS: Generally that would  
5 have been the process, yes.

6 BY MR. HARSCH:

7 Q. It is not a matter of objective  
8 fact, though, is it?

9 MR. OBLAK: Objection to form.

10 BY MR. HARSCH:

11 Q. Whether an exception is material?

12 MR. OBLAK: Objection to form.

13 THE WITNESS: It's an objective fact  
14 that it's an exception.

15 BY MR. HARSCH:

16 Q. As to whether --

17 A. Apparently, we were using judgment  
18 to -- whether or not it was material or not.

19 Q. And that can be a matter of opinion  
20 and people could differ on whether an exception  
21 is material, correct?

22 MR. OBLAK: Objection to form.

23 THE WITNESS: Again, I'm not trying  
24 to speak to this document -- I mean, or this  
25 review.

1 RONALD FEIGLES

2 BY MR. HARSCH:

3 Q. Isn't it true that the judgment as  
4 to whether a given exception is material is a  
5 matter of opinion and people could differ on  
6 that judgment, correct?

7 MR. OBLAK: Objection to form.

8 THE WITNESS: We determined that  
9 these were material exceptions. That was our  
10 determination.

11 BY MR. HARSCH:

12 Q. Freddie Mac's determination?

13 A. Yes.

14 Q. And this would include exceptions to  
15 both Wells Fargo's guidelines and to the  
16 Freddie Mac guidelines, correct?

17 A. Again, specifically, I don't recall.  
18 Probably not.

19 Q. Didn't you just read the pro sup  
20 that said that the loans were underwritten in  
21 accordance with Wells Fargo's guidelines and  
22 Freddie Mac's guidelines?

23 MR. OBLAK: Objection to form.

24 THE WITNESS: I did.

25 BY MR. HARSCH:

1 RONALD FEIGLES

2 Q. Now, there is a summary there then  
3 in words for the random pool and it says under  
4 credit comments on the second -- I don't know  
5 what you call those things, arrows?

6 A. Sure.

7 Q. "Credit rejections are 29 loans for  
8 11 percent of the random sample."

9 Can you explain what that means?

10 A. Well, whatever the random sample  
11 was, it looks like maybe it was 300-ish loans.  
12 11 percent of that were credit rejections.

13 Q. Would those be rejections based  
14 either on the Wells' guidelines or Freddie  
15 guidelines?

16 A. It would be credit rejections.

17 Q. What do you mean by "credit  
18 rejections?"

19 A. Well, specifically, looking at this  
20 eight years later, seven years later, some type  
21 of an exception or something made the loan  
22 ineligible.

23 Q. So I just want to understand sort of  
24 the package as a whole.

25 In these two charts, the review

RONALD FEIGLES - 6/13/2013

Page 493

1 RONALD FEIGLES

2 results, where loans are marked as 3s with  
3 material exceptions noted, those are the loans  
4 that Freddie would not buy, right?

5 MR. OBLAK: Objection to form.

6 THE WITNESS: Yes, 3s, 3 Cs, we  
7 didn't buy.

8 BY MR. HARSCH:

9 Q. So then if we look to the next  
10 attachment that begins 5059, this is a list of  
11 -- it says: "An individual asset summary  
12 report," and it says: "The loan cart count is  
13 83," and if you look at the credit events, they  
14 are all 3s and then there's a few 2 Ws in  
15 there, but they all seem to be either credit or  
16 compliance 3s.

17 So would this be the collection of  
18 loans that were rejected from the pool?

19 MR. OBLAK: Objection to form.

20 There are 1s here in the credit  
21 event, too.

22 BY MR. HARSCH:

23 Q. Well, what I'm saying is -- I'm  
24 sorry.

25 So each loan seems to either have a

RONALD FEIGLES - 6/13/2013

Page 494

1 RONALD FEIGLES

2 Credit 3 or a Compliance 3.

3 A. That's right.

4 Q. So this collection would be the  
5 loans that were rejected, right?

6 MR. OBLAK: Objection to form.

7 THE WITNESS: No, not necessarily.

8 So these reports are run at a point  
9 in time. I got these reports every day or  
10 close to every day, so it was a very much  
11 moving population of loans.

12 So on this day, these were the loans  
13 that were ineligible for purchase.

14 BY MR. HARSCH:

15 Q. And things could change, though, if  
16 something was cured or --

17 A. Yes.

18 Q. Okay. And can we then turn to the  
19 next page -- I'm sorry, the page whose Bates  
20 number ends in 5061, and this is called: "An  
21 individual asset summary report."

22 Is this a report on a specific loan  
23 that was in this pool?

24 A. Yes. This is the format that  
25 Clayton captured data. So it would be -- this

1 RONALD FEIGLES

2 would be one loan's data.

3 Q. And were you personally involved in  
4 reviewing some of these loans during the bulk  
5 purchase due diligence?

6 A. Yes.

7 Q. And now on the first page, it says:  
8 "Review summary of credit event grade, Clayton  
9 3 final 3."

10 That would indicate the grade that  
11 the loan was given, correct?

12 A. Yes.

13 Q. All right. On the next page ending  
14 in 5062, there is a section called: "Material  
15 exceptions," and here it says: "Credit, seller  
16 contributions exceed guideline," and there is a  
17 parenthetical: "(U.06)."

18 What does that refer to?

19 A. I don't know.

20 Q. There is a section on the next page,  
21 5063, for compensating factors.

22 A. I see that.

23 Q. What -- who determined the  
24 compensation factors?

25 A. Clayton filled all these sheets out.



RONALD FEIGLES - 6/13/2013

Page 496

1 RONALD FEIGLES

2 Q. Did Freddie provide any instructions  
3 to Clayton on what would constitute a  
4 compensating factor?

5 A. I don't recall.

6 Q. Did you -- in reviewing these loans,  
7 did you take into consideration these  
8 compensating factors?

9 MR. OBLAK: Objection to form.

10 THE WITNESS: We may have.

11 BY MR. HARSCH:

12 Q. In what context?

13 A. I don't specifically recall this  
14 pool. So in -- to that context, I don't know  
15 what we would have or wouldn't have considered.

16 Q. The next section is marked:  
17 "Nonmaterial exceptions."

18 Who determined whether an exception  
19 was nonmaterial?

20 A. So that would be joint with Clayton  
21 and Freddie Mac, so the certain criteria, we  
22 would tell them upfront that we viewed certain  
23 things nonmaterial so, for example, if an ARM  
24 disclosure wasn't provided, we probably told  
25 them from our perspective, that is a

1 RONALD FEIGLES

2 nonmaterial event.

3 Q. So as part of the scripts given to  
4 Clayton, Freddie Mac would provide instructions  
5 as to what exceptions would -- it would deem  
6 nonmaterial?

7 MR. OBLAK: Objection to form.

8 THE WITNESS: Upfront, no. What we  
9 would do is we would see a lot of loans so, for  
10 example, the ARM disclosure missing.

11 If after seeing that on what might  
12 be a lot of loans, we may say from our  
13 perspective, this is one we view as  
14 nonmaterial.

15 BY MR. HARSCH:

16 Q. So that would -- that determination  
17 or that instruction from Freddie Mac to Clayton  
18 about exceptions it viewed as nonmaterial would  
19 come during the course of the due diligence,  
20 rather than as part of the script?

21 A. I think so.

22 Q. And would that include also  
23 determinations by Freddie Mac as to which  
24 exceptions from the Wells Fargo guidelines were  
25 deemed nonmaterial?

1 RONALD FEIGLES

2 whose Bates number ends in 5380.

3 This is a different set of these  
4 individual asset summary reports.

5 A. When you say a different set, what  
6 do you mean?

7 Q. Well, it is separated out from the  
8 other ones.

9 The first set had mostly -- as I  
10 said, had 3s either in credit or compliance,  
11 and these seem to have 1s or 2 Ws?

12 A. Okay.

13 Q. And it says the loan -- it states:  
14 "The loan count is 328." The prior set had 83.  
15 If you add those together, that is 411 and that  
16 is your sample size.

17 A. Okay.

18 Q. All right?

19 MR. OBLAK: Objection to form.

20 BY MR. HARSCH:

21 Q. So is this set of loans the loans  
22 that -- at least at this stage in the process,  
23 had been deemed acceptable?

24 MR. OBLAK: Objection to form.

25 THE WITNESS: No.

RONALD FEIGLES - 6/13/2013

Page 503

1 RONALD FEIGLES

2 BY MR. HARSCH:

3 Q. So what is it? Why is it set off  
4 from the other set?

5 A. I don't know. I just noticed that  
6 there is a Compliance Grade 3 and a Credit  
7 Grade 3, so it doesn't look acceptable looking  
8 at this page that you pointed me to.

9 Could be that this is the random and  
10 the targeted pools were separate. I don't  
11 know.

12 Q. Are you looking at the page whose  
13 Bates number ends in 5380?

14 A. No, I'm not. 5080, sorry.

15 Okay. I'm sorry. I'm on the right  
16 page I think.

17 Q. All right. So now, is this the set  
18 of loans, at this stage in the process, had  
19 been deemed acceptable?

20 MR. OBLAK: Objection to form.

21 THE WITNESS: Yes, it appears so.

22 BY MR. HARSCH:

23 Q. Let me direct you then to page --  
24 Bates number ends in 5406.

25 This is an individual asset summary

1 RONALD FEIGLES

2 report from a borrower named Andre Thomatis or  
3 Thomatis.

4 You see the cover page for it?

5 A. I do.

6 Q. And now let's turn to the last page  
7 of the individual summary report, the Bates  
8 number ends in 504 -- 5409, sorry.

9 This is on the section waived or  
10 satisfied exceptions, it says: "Unexecuted  
11 note satisfied." It notes a missing signature  
12 page, Page 3, and then cites the lender  
13 response: "Lender provided a copy of the  
14 signed note, issue cleared."

15 Do you have an understanding of what  
16 that would refer to?

17 A. Yeah. So the loan file we got was  
18 incomplete. It was missing the signature page  
19 of the note and the lender provided it.

20 Q. Okay. Now this loan was initially  
21 marked by Clayton as a 3, right?

22 A. Yes.

23 Q. And the grade was changed to 2 W,  
24 right?

25 A. Yes.

1 RONALD FEIGLES

2 Q. And the reason it was changed to 2 W  
3 is because an issue was satisfied. There was a  
4 missing document and it was supplied by the  
5 lender, right?

6 MR. OBLAK: Objection to form.

7 THE WITNESS: Well, that's one of  
8 the reasons.

9 BY MR. HARSCH:

10 Q. All right. But just in terms of  
11 this exception, there was a missing document  
12 flagged and then the lender was able to provide  
13 it, right?

14 A. Yes, in terms of this specific one,  
15 right.

16 Q. Was it often the case that  
17 exceptions were found based on missing  
18 documents that the lender was then able to  
19 provide?

20 MR. OBLAK: Objection to form.

21 THE WITNESS: It happens.

22 BY MR. HARSCH:

23 Q. It is not unusual, right?

24 A. Not unusual.

25 Q. And the fact that Clayton initially

RONALD FEIGLES - 6/13/2013

Page 506

1 RONALD FEIGLES

2 marked this as a 3 and Freddie later accepted  
3 it, doesn't mean that anything was wrong with  
4 the loan, correct?

5 MR. OBLAK: Objection to form.

6 THE WITNESS: It met the criteria  
7 that it had a signed -- yes, it would appear  
8 so.

9 BY MR. HARSCH:

10 Q. Nothing was wrong with it?

11 MR. OBLAK: Objection to form.

12 THE WITNESS: Again, I'm looking at  
13 this loan seven years later looking at three  
14 pages. We accepted it. They accepted it.

15 BY MR. HARSCH:

16 Q. But from Freddie's perspective,  
17 nothing was wrong with the loan and they bought  
18 it, right?

19 MR. OBLAK: Same objection. Asked  
20 and answered.

21 THE WITNESS: Yeah. I assume we  
22 bought it.

23 MR. OBLAK: Rob, are we good to take  
24 a break here? It's about an hour and a half.

25 MR. HARSCH: Yes. Let me -- can I

1 RONALD FEIGLES

2 ask two quick questions on this?

3 MR. OBLAK: Okay.

4 BY MR. HARSCH:

5 Q. On that same -- on that same detail  
6 report under: "Waive satisfied exceptions,"  
7 there is a parenthetical: "(FHLM.02)."

8 A. Yep.

9 Q. Do you know what that refers to?

10 A. So you recall back when I said I  
11 could flag loans that I wanted to look at no  
12 matter what?

13 This appears to be one of the loans  
14 that we flagged that we said the HVE difference  
15 exceeds the 15 percent threshold, so Clayton,  
16 again by the limitations of their system, were  
17 able to capture what -- captured as material  
18 exceptions, even though nobody looked at the  
19 loan yet. That is what happened here.

20 We told them that we would run a  
21 model HVE and it could -- a value variance of  
22 -- I guess greater than 15 percent, so we asked  
23 them, please flag this loan so that we can see  
24 it. We want to see this loan regardless of  
25 whether you think it's acceptable or not.



1 RONALD FEIGLES

2 Q. So the collateral check that you  
3 mentioned that's making the process robust was  
4 a check of the appraisal values against an HVE  
5 tool?

6 MR. OBLAK: Objection to form.

7 THE WITNESS: The stated appraisal  
8 values, yes, against the HVE tool.

9 BY MR. HARSCH:

10 Q. What's the HVE tool?

11 A. Home Value Explorer.

12 Q. What is that?

13 A. It's an internal AVM that is run by  
14 Freddie Mac.

15 Q. Did Freddie Mac sometimes use  
16 CoreLogic's AVM?

17 MR. OBLAK: Objection to form.

18 THE WITNESS: Yes.

19 BY MR. HARSCH:

20 Q. Is there any reason to believe that  
21 CoreLogic's AVMs were any less robust than  
22 Freddie Mac's?

23 A. No.

24 Q. And you felt that running the  
25 appraisal values against Freddie Mac's AVM made

1 RONALD FEIGLES

2 the diligence process robust, right?

3 MR. OBLAK: Objection to form.

4 THE WITNESS: Among other things.

5 BY MR. HARSCH:

6 Q. You mentioned something about a  
7 fraud review?

8 A. Yes.

9 Q. And would you explain what the fraud  
10 review entailed?

11 A. Well, you mentioned CoreLogic. We  
12 also used CoreLogic and they provided a --  
13 fraud review is probably not the best term, but  
14 it's a risk score that certainly took into --  
15 among other things, some type of a fraud  
16 analysis and they provided a score back that we  
17 also used to flag loans.

18 Q. Freddie didn't always use a fraud  
19 review in its bulk purchases, though, correct?

20 MR. OBLAK: Objection to form.

21 THE WITNESS: Right.

22 BY MR. HARSCH:

23 Q. And I think one of the things you  
24 said that made Freddie's process -- due  
25 diligence process particularly robust was the

1 RONALD FEIGLES

2 use of only adverse samples?

3 MR. OBLAK: Objection to form.

4 THE WITNESS: Initially, I believed  
5 they were adverse samples.

6 BY MR. HARSCH:

7 Q. We just looked at a due diligence  
8 review indicating there is both an adverse and  
9 a random sample, correct?

10 A. That's right, we did.

11 Q. So Freddie didn't always just use  
12 adverse samples, correct?

13 A. Right. It appears in this instance  
14 we used both.

15 Q. And did you still feel that the due  
16 diligence process Freddie conducted on these  
17 Wells Fargo's loans that we've been looking at  
18 was robust?

19 MR. OBLAK: Objection to form.

20 THE WITNESS: As I said, I don't  
21 really recall this review specifically.

22 BY MR. HARSCH:

23 Q. Well, looking at it now, having  
24 looked at the review, do you feel that the  
25 process was robust?

RONALD FEIGLES - 6/13/2013

Page 514

1 RONALD FEIGLES

2 MR. OBLAK: Objection to form.

3 THE WITNESS: I have read a couple  
4 of pages of five loans. We will certainly  
5 stand by our write-up that we covered.

6 BY MR. HARSCH:

7 Q. You mentioned something about  
8 occasions on which a guideline would be silent.  
9 I want to understand a little bit more how  
10 loans that had some kind of a characteristic on  
11 which the guides were silent affected Freddie's  
12 decision-making in these bulk purchases. Can  
13 you explain?

14 MR. OBLAK: Objection to form.

15 THE WITNESS: I really can't. I  
16 don't recall specific instances or what a  
17 guideline might be silent or cover or not  
18 cover.

19 BY MR. HARSCH:

20 Q. But there might be particular issues  
21 on which a guideline is silent, but Freddie Mac  
22 in its own discretion may decide not to take a  
23 loan?

24 MR. OBLAK: Objection to form.

25 THE WITNESS: Can you repeat that?

RONALD FEIGLES - 6/13/2013

Page 515

1 RONALD FEIGLES

2 BY MR. HARSCH:

3 Q. There might be particular issues  
4 with a loan -- there might be -- withdraw it.

5 There might be issues with a loan  
6 and the guidelines are silent on that issue,  
7 but Freddie Mac nonetheless would decide to not  
8 take the loan, correct?

9 MR. OBLAK: Objection to form.

10 THE WITNESS: Possibly.

11 BY MR. HARSCH:

12 Q. And it would use its own discretion  
13 in making that decision, correct?

14 MR. OBLAK: Objection to form.

15 THE WITNESS: Use its own  
16 discretion.

17 Could -- so are we talking in  
18 context of these reviews or Freddie Mac in  
19 general?

20 BY MR. HARSCH:

21 Q. The bulk purchases that you were on.

22 A. The bulk purchases we were on.

23 Could have been Freddie Mac. It  
24 could have been Clayton.

25 Q. Could you look now please at the

1 RONALD FEIGLES

2 individual asset summary report whose Bates  
3 number ends at 5426.

4 This is a report for a borrower  
5 named Gregg Rasmussen.

6 If you look at the front page, the  
7 review summary indicates that the initial grade  
8 was a 3, and then the final grade was a 2 W; is  
9 that right?

10 A. Yes, it is.

11 Q. Now on the -- know what I'm going to  
12 do? I'm going to start going the page numbers  
13 on the top right hand of the reports  
14 themselves, if that is okay with you?

15 A. That's fine.

16 Q. So if you look at Page 41 in the  
17 section called: "Nonmaterial exceptions for  
18 credit," it says: "Does not meet nonprimary  
19 guidelines FLM.06."

20 Do you know what that means by  
21 nonprimary guidelines?

22 A. Specifically, FMFHLM06, no, I don't  
23 specifically know what that means.

24 Q. Do you know what is being referred  
25 to as nonprimary guidelines?

1 RONALD FEIGLES

2 BY MR. HARSCH:

3 Q. Right. And you applied your  
4 judgment to say that that compensating factor  
5 made the stated income exception --

6 A. I don't know --

7 Q. -- acceptable, correct?

8 A. -- specifically what I applied or  
9 didn't apply. It looks like I agreed to buy it  
10 as a 29 percent loan-to-value loan.

11 Q. Let's look at Page 161. This is an  
12 asset summary report for Loretta Cisneros.  
13 Initially graded a 3, final grade is a 2 W.

14 Do you see that?

15 A. I do.

16 Q. Now look at Page 163.

17 Actually, look at Page 164, please.

18 Under the section: "Waived, satisfied  
19 exceptions," Clayton says stated income not  
20 reasonable. "Stated income unreasonable.  
21 Borrower states income of 7950 as facilities  
22 tech for five years."

23 And then the next entry is: "Status  
24 change issue waived by client," correct?

25 A. I see that.

1 RONALD FEIGLES

2 Q. And on other comments on Page 163,  
3 it says value -- "Comments, Freddie Mac, value  
4 supported at the time of closing, income is  
5 overstated," so Freddie Mac agreed that the  
6 income is overstated, correct?

7 MR. OBLAK: Objection to form.

8 THE WITNESS: Looks likes it.

9 BY MR. HARSCH:

10 Q. "And borrower never late on any  
11 account, in house ten years, LTV 80, some  
12 savings, 20K, letting this loan slide," right?

13 A. I see that.

14 Q. And that's your entry, right, RF?

15 A. Yes.

16 Q. So you said you're going to let this  
17 loan slide?

18 MR. OBLAK: Objection to form.

19 THE WITNESS: That's what I wrote.

20 BY MR. HARSCH:

21 Q. Even though you agreed the stated  
22 income is unreasonable, right?

23 MR. OBLAK: Objection to form.

24 THE WITNESS: I wrote that.

25 BY MR. HARSCH:



1 RONALD FEIGLES

2 Q. Would you turn now to Page 221.  
3 That is a summary report for Stephanie Chan.  
4 Initially graded by Clayton as a 3, and then  
5 changed to a grade of 2 W.

6 If you look at Page 223, there is a  
7 section: "Waived, satisfied exceptions." One  
8 of the waived or satisfied exceptions is:  
9 "Debt ratio exception greater than five percent  
10 and less than ten percent," and the entry says:  
11 "43.6 percent, DTI exceeds 38 percent max  
12 allowable. SIVA product loan approved, DTI  
13 40.60 percent."

14 Do you understand what all that  
15 means?

16 A. I think so.

17 Q. Can you explain it, please?

18 A. That the -- apparently, the  
19 allowable DTI was 38 percent and the actual DTI  
20 calculated was 43.6.

21 Q. Okay. And that issue was waived by  
22 Freddie Mac, correct?

23 A. Looks like that it was.

24 Q. And under: "Other comments," it  
25 says: "Discussed value with RF and feel value

1 RONALD FEIGLES

2 is supported."

3 I'm sorry. That's referring to an  
4 appraisal.

5 Now would you look at Page 248.

6 It's an asset summary report for a borrower  
7 whose name is Gary Pommerenck, I suppose.

8 Initially graded as a 3 and then changed to 2  
9 W.

10 Are you there?

11 A. I am.

12 Q. So if we look at Page 251 --  
13 actually, let's look at Page 250.

14 There is a comment there: "9-29-07,  
15 okay 2 W, appraised value overstated. However,  
16 LTV is 64 percent. True LTV closer to 80.  
17 Income acceptable. Borrower executive director  
18 at university who owns multiple properties,  
19 excellent credit, RF."

20 That RF is you, right?

21 A. It is.

22 Q. And you found that the appraised  
23 value was overstated, right?

24 A. That's what I wrote.

25 Q. And you deemed the loan to be

1 RONALD FEIGLES

2 acceptable and you waived it in, correct?

3 A. Yes, except that I don't believe  
4 Clayton cited it as a value, so Clayton also  
5 accepted it.

6 Q. But you found the appraisal to be  
7 overstated, right?

8 A. That's what I wrote.

9 Q. And you accepted the loan?

10 A. I did.

11 Q. Would you look now on Page 409,  
12 please.

13 This is an asset summary report for  
14 Steven Podolinski, graded a 3, changed to a 2  
15 W.

16 On Page 411 under: "Credit," it  
17 says: "Income docs do not meet guidelines for  
18 grade.doc type." It says: "It is waived.  
19 Full income documentation loan required two  
20 years W-2, only 2006 W-2 provided."

21 Do you see that?

22 A. I see that.

23 Q. Can you explain what that means?

24 A. Well, it appears that there were two  
25 years of W-2 that were required and they only

1 RONALD FEIGLES

2 MR. OBLAK: Objection to form.

3 THE WITNESS: Not in the totality of  
4 all the deals put together, I can't say it was  
5 unusually some.

6 BY MR. HARSCH:

7 Q. I will show you this exhibit.

8 (Deposition Exhibit 5446 was  
9 marked for identification.)

10 BY MR. HARSCH:

11 Q. So this is an e-mail between Bruce  
12 Wood and Ray Romano initially and then -- I'm  
13 sorry, this document begins FHFA 04626981.

14 On Page 6983, there is an e-mail  
15 from Robert Skinner and he says: "Just a few  
16 comments. We wrote up the deal as Safe Steps  
17 match. Where Safe Steps was silent, it would  
18 revert to the guide. As with most deals we  
19 review in the bulk world, we review the  
20 seller's guidelines and look for those items  
21 out of the norm, but rarely, do we have time to  
22 complete a side-by-side comparison to the  
23 seller's entire guidelines to the guide. After  
24 all, we do have the data file for review which  
25 may include refreshed FICOs and the use of HVE,

1 RONALD FEIGLES

2 calibrator, ACE, market-to-market model, right?

3 A. Yes.

4 Q. Doesn't that indicate that most of  
5 the reviews or deals done in the bulk world are  
6 -- involved loans underwritten to the seller's  
7 guidelines?

8 MR. OBLAK: Objection to form.

9 THE WITNESS: Can you repeat the  
10 question? I'm sorry.

11 BY MR. HARSCH:

12 Q. Doesn't this indicate -- this e-mail  
13 from Mr. Skinner, indicate that most of the  
14 deals reviewed in the bulk world are --  
15 involved loans underwritten to the seller's  
16 guidelines?

17 MR. OBLAK: Objection to form.

18 THE WITNESS: Well, I would say that  
19 most of the deals underwritten in the bulk  
20 world pertain to loans that would be normally  
21 eligible to Freddie Mac under our guides.

22 BY MR. HARSCH:

23 Q. But that are also underwritten to  
24 the lender's guidelines, right, as indicated in  
25 the offering circulars we reviewed?

RONALD FEIGLES - 6/13/2013

Page 593

1 RONALD FEIGLES

2 MR. OBLAK: Objection to form.

3 THE WITNESS: No. Those loans that  
4 I think you are referring to generally meet the  
5 guide or bulk would not be what generally is  
6 referred to in those offering circulars.

7 BY MR. HARSCH:

8 Q. I'm a little confused on this. So  
9 you have -- you are doing subprime and Alt-A  
10 loans, right, through these T deals in bulk  
11 purchases, right?

12 MR. OBLAK: Objection to form.

13 THE WITNESS: Right.

14 BY MR. HARSCH:

15 Q. Many of these T deals involve bulk  
16 purchases of loans that were underwritten to  
17 seller's guidelines and then sometimes had an  
18 overlay from Freddie Mac, correct?

19 MR. OBLAK: Objection to form.

20 THE WITNESS: I think so.

21 BY MR. HARSCH:

22 Q. So when Freddie Mac instructed  
23 Clayton on due diligence to be performed for  
24 those Alt-A and subprime loans, part of its  
25 instructions to Clayton was to review those

1 RONALD FEIGLES

2 loans for -- whether they complied with the  
3 lender's guidelines, correct?

4 MR. OBLAK: Objection to form.

5 THE WITNESS: Well, again, I think  
6 we are re-covering ground we have already  
7 covered, but it would have been -- ensure  
8 compliance with the guidelines that we have  
9 agreed to purchase these loans. It could be  
10 the lender's guidelines. It could be our  
11 guidelines. It could be a mix of the two.

12 BY MR. HARSCH:

13 Q. When Clayton would review loans and  
14 mark them as 3 for further review, sometimes it  
15 did that because there was an exception to the  
16 lender's guidelines, right?

17 A. Could be.

18 Q. That was sometimes the case, right?

19 A. Yes.

20 Q. All right.

21 I'm sorry. So you just said when  
22 Clayton would mark loans as material  
23 exceptions, sometimes it marked loans because  
24 they violated the lender's underwriting  
25 guidelines, right?

1 RONALD FEIGLES

2 MR. OBLAK: Objection to form.

3 THE WITNESS: Well, they violated  
4 somebody's guidelines.

5 BY MR. HARSCH:

6 Q. Sometimes that was the lender's  
7 guidelines, correct?

8 MR. OBLAK: Objection to form.

9 THE WITNESS: Could have been any  
10 reason.

11 BY MR. HARSCH:

12 Q. Did Freddie -- Freddie Mac ever  
13 instruct Clayton to review subprime or Alt-A  
14 loans for whether they conformed to general  
15 industry standards?

16 A. Can you repeat that? I'm sorry.

17 Q. Did Freddie Mac ever instruct  
18 Clayton to review bulk subprime and Alt-A loans  
19 for whether they conformed to minimum industry  
20 standards?

21 MR. OBLAK: Objection to form.

22 THE WITNESS: Specifically, I don't  
23 recall.

24 BY MR. HARSCH:

25 Q. Is that something you would recall



1 RONALD FEIGLES

2 if you had been part of issuing such an  
3 instruction to Clayton?

4 MR. OBLAK: Objection to form.

5 THE WITNESS: There was one giant  
6 bulk purchase that we did and I don't recall  
7 the specifics of the direction given to  
8 Clayton, so outside of that one, I would say  
9 no. Inside of that particular transaction, I  
10 don't recall.

11 BY MR. HARSCH:

12 Q. So outside of that particular  
13 transaction, Freddie didn't instruct Clayton to  
14 review loans for whether they conformed with  
15 minimum industry standards?

16 MR. OBLAK: Objection to form.

17 THE WITNESS: Well, as I said  
18 before, I don't recall that, no.

19 BY MR. HARSCH:

20 Q. That is something you would recall,  
21 right?

22 MR. OBLAK: Objection to form.

23 Asked and answered.

24 THE WITNESS: I don't know.

25 BY MR. HARSCH:

RONALD FEIGLES - 6/13/2013

Page 597

1 RONALD FEIGLES

2 Q. Did you ever ask Clayton to review a  
3 loan for whether the originator had obtained  
4 explanations for inquiries on a credit report  
5 that was in the loan file?

6 A. I don't recall.

7 Q. If that kind of instruction was  
8 given to Clayton, would that be reflected in  
9 the scripts that were given to Clayton?

10 MR. OBLAK: Objection to form.

11 THE WITNESS: If we gave scripts to  
12 Clayton, I think we gave them guidelines. I  
13 don't know if we would have given them that  
14 specific of a direction or not. We may have.  
15 I don't know.

16 BY MR. HARSCH:

17 Q. Have you ever heard of an industry  
18 standard by which originators have to obtain  
19 explanations for inquiries on a credit report?

20 MR. OBLAK: Objection to form.

21 THE WITNESS: Sure, I think that is  
22 in some lender's guidelines.

23 BY MR. HARSCH:

24 Q. And not others?

25 MR. OBLAK: Objection to form.

RONALD FEIGLES - 6/13/2013

Page 598

1 RONALD FEIGLES

2 THE WITNESS: Possibly not others.

3 BY MR. HARSCH:

4 Q. So if there was such a requirement,  
5 it would be in lender's guideline, right?

6 MR. OBLAK: Objection to form.

7 THE WITNESS: Could be in a lender's  
8 guidelines. It could be in Freddie Mac's  
9 guidelines.

10 BY MR. HARSCH:

11 Q. And have you ever heard of a general  
12 industry standard to the effect?

13 MR. OBLAK: Objection to form.

14 THE WITNESS: I have heard that it's  
15 something that people do.

16 BY MR. HARSCH:

17 Q. But not all people, right?

18 A. Not all.

19 MR. OBLAK: Want to break for lunch  
20 soon, Brad?

21 MR. HARSCH: Yeah, let's break for  
22 lunch.

23 THE VIDEOGRAPHER: Going off the  
24 record.

25 The time is 12:45 p.m..